

ORIGINAL

# OPEN MEETING

## MEMORANDUM RECEIVED



0000096894

4/10

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 12, 2009

RE: UNS ELECTRIC, INC. -- APPLICATION FOR APPROVAL OF A PROPOSED  
DEMAND-SIDE MANAGEMENT TARGETED BASELINE STUDY (DOCKET  
NO. E-04204A-09-0127)

2009 MAY 12 P 2:07

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

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On March 17, 2009, UNS Electric, Inc. ("UNS Electric" or "the Company") filed an application for approval of its proposed demand-side management ("DSM") targeted baseline study ("Baseline Study"), and to recover the cost of the Baseline Study through the Company's DSM Surcharge, or adjustor rate.

The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM<sup>1</sup> programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to provide Arizona-based estimates on costs and savings, so that programs can be accurately screened for cost-effectiveness.

The Company has identified four primary areas of research: (i) Baseline Efficiency Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market Assessment Review of Key DSM Sectors.

To limit costs and enhance efficiency, UniSource Energy Corporation, the parent company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM contractor<sup>2</sup> for a study encompassing all three companies. The resulting estimate was based on performing the Baseline Study for all three companies at once, to take advantage of combined travel, training and on-site analysis. Performing a study on only one or two companies would be less economically efficient and would result in increased per-company costs. UniSource has asked that the Baseline Study funding be approved for all three companies, so that the economic benefit of doing a combined study is preserved.

<sup>1</sup> DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

<sup>2</sup> The Company states that Summit Blue was selected to perform the Baseline Study because they are already performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing DSM portfolios for TEP, UNS Gas and UNS Electric.

The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric is \$590,550; \$148,611 of this amount is associated with the UNS Electric component of the DSM Targeted Baseline Study. The \$148,611 estimate is based on the number of hours it would take to complete the baseline study in UNS Electric' territory.

The increased cost, per kWh, of the Baseline Study for UNS Electric would be \$0.000082, resulting in an approximately nine cent per month increase on a typical summer bill and a 5.4 cent increase on a typical winter bill, if the entire cost of the Baseline Study were recovered in a single year.<sup>3</sup>

Staff has recommended that the Commission approve cost recovery for the UNS Electric component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying new efficiency programs or measures; and (iii) provide a standard against which to measure the progress of the Company's DSM programs in meeting energy efficiency goals.

To limit costs, Staff has recommended that recovery for the UNS Electric component of the Baseline Study be capped at \$149,000.

Staff has recommended that the DSM Targeted Baseline Study (encompassing TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

#### Summary of Staff Recommendations

- Staff recommends that the application for cost recovery for the UNS Electric component of the Demand-Side Management Targeted Baseline Study be approved.
- Staff recommends that cost recovery for the UNS Electric component of the Baseline Study be capped at \$149,000.

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<sup>3</sup> However, the Company is initially proposing to recover only \$13,633 (9%) of the cost of the Baseline Study for UNS Electric; this would result in increases of less than a cent in summer and approximately half a cent in winter during the 2009-2010 program year, and an increase to approximately eight cents in summer and five cents in winter in the following year.

THE COMMISSION

May 12, 2009

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- Staff recommends that the completed DSM Targeted Baseline Study (encompassing, TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.



for Ernest G. Johnson  
Director  
Utilities Division

EGJ:JMK:lhv\NS

ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF UNS ELECTRIC, INC. FOR APPROVAL  
OF A PROPOSED DEMAND-SIDE  
MANAGEMENT TARGETED BASELINE  
STUDY

DOCKET NO. E-04204A-09-0127  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
May 27 and 28, 2009  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. (“UNS Electric” or “the Company”) is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
2. On March 17, 2009, UNS Electric, Inc. filed an application for approval of its proposed demand-side management (“DSM”) targeted baseline study (“Baseline Study”), and to recover the cost of the Baseline Study through the Company’s DSM Surcharge, or adjustor rate.
3. The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM<sup>1</sup> programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to ...

<sup>1</sup> DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand (“kW”) and/or to reduce energy consumption (“kWh” or “therms”) in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

1 provide Arizona-based estimates on costs and savings, so that programs can be accurately screened  
2 for cost-effectiveness.

3 4. The Company has identified four primary areas of research: (i) Baseline Efficiency  
4 Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure  
5 Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market  
6 Assessment Review of Key DSM Sectors.

7 5. To limit costs and enhance efficiency, UniSource Energy Corporation, the parent  
8 company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM  
9 contractor<sup>2</sup> for a study encompassing all three companies. The resulting estimate was based on  
10 performing the Baseline Study for all three companies at once, to take advantage of combined  
11 travel, training and on-site analysis. Performing a study on only one or two companies would be  
12 less economically efficient and would result in increased per-company costs. UniSource has  
13 asked that the Baseline Study funding be approved for all three companies, so that the economic  
14 benefit of doing a combined study is preserved.

15 6. The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric  
16 is \$590,550; \$148,611 of this amount is associated with the TEP component of the DSM Targeted  
17 Baseline Study. The \$148,611 estimate is based on the number of hours it would take to complete  
18 the baseline study in UNS Electric' territory.

19 7. The increased cost, per kWh, of the Baseline Study for UNS Electric would be  
20 \$0.000082, resulting in an approximately nine cent per month increase on a typical summer bill  
21 and a 5.4 cent increase on a typical winter bill, if the entire cost of the Baseline Study were  
22 recovered in a single year.<sup>3</sup>

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25 <sup>2</sup> The Company states that Summit Blue was selected to perform the Baseline Study because they are already  
performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing  
DSM portfolios for TEP, UNS Gas and UNS Electric.

26 <sup>3</sup> However, the Company is initially proposing to recover only \$13,633 (9%) of the cost of the Baseline Study for UNS  
27 Electric; this would result in increases of less than a cent in summer and approximately half a cent in winter during the  
2009-2010 program year, and an increase to approximately eight cents in summer and five cents in winter in the  
28 following year.

8. Staff has recommended that the Commission approve cost recovery for the UNS Electric component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying new efficiency programs or measures; and (iii) provide a standard against which to measure the progress of the Company's DSM programs in meeting energy efficiency goals.

9. To limit costs, Staff has recommended that recovery for the UNS Electric component of the Baseline Study be capped at \$149,000.

10. Staff has recommended that the DSM Targeted Baseline Study (encompassing TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

## CONCLUSIONS OF LAW

1. UNS Electric is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNS Electric and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 12, 2009, and concludes that it is in the public interest to approve cost recovery for the UNS Electric component of the DSM Targeted Baseline Study.

## ORDER

IT IS THEREFORE ORDERED that cost recovery for the UNS Electric, Inc. component of the DSM Targeted Baseline Study be, and hereby is, approved.

IT IS FURTHER ORDERED recommended that recovery for the UNS Electric, Inc. component of the Baseline Study be capped at \$149,000.

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1 IT IS FURTHER ORDERED that the DSM Targeted Baseline Study (encompassing  
2 Tucson Electric Power Company, UNS Gas, Inc. and UNS Electric, Inc.) be filed with the Utilities  
3 Division once it is completed.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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7 CHAIRMAN

COMMISSIONER

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10 COMMISSIONER

COMMISSIONER

COMMISSIONER

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12 IN WITNESS WHEREOF, I, MICHAEL KEARNS, Interim  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto, set my hand and caused the official seal of  
15 this Commission to be affixed at the Capitol, in the City of  
16 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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18 MICHAEL KEARNS  
19 INTERIM EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

21 DISSENT: \_\_\_\_\_

22 EGJ:JMK:lm\NS  
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1 SERVICE LIST FOR: UNS Electric, Inc.  
2 DOCKET NO. E-04204A-09-0127

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13 Chief Counsel, Legal Division  
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